Allowable Profit for For-Profit Agencies Which Provide Client Care

Wis. Stat. 46.036 (3) (c) indicates that contracts for proprietary agencies may include a percentage add-on for profit according to the rules promulgated by the department.

The *Allowable Cost Policy Manual* indicates that allowable profit is determined by applying a percentage equal to 7 1/2% of net allowable operating costs plus 15% applied to the net equity, the sum of which may not exceed 10% of net allowable operating costs. Net equity is defined as the cost of equipment, cost of buildings, cost of land and cost of fixed equipment less accumulated deprecation and long term liabilities. The average net equity for the year shall be used.

(Enter data in shaded boxes. Other cells are locked/protected.)

Name of Agency:

Period:

Calculation of allowable profit:

Note -- calculate profit at the function or program level when agencies operate multiple functions or programs

		Beginning of Period	End of Period
1	**Base calculation**		
1a	**Net allowable operating cost**	$ -	
	x 7 1/2%	$ -	
	Note -- deduct unallowable costs (such as costs above cost of ownership in related party rent) and cost offsets (such as commodities)		
1b	**Average net equity**	Beginning of Period	End of Period
	Cost of equipment	$ -	$ -
	Cost of building	$ -	$ -
	Cost of land	$ -	$ -
	Cost of fixed equipment	$ -	$ -
	Less accumulated depreciation	$ -	$ -
	Less long term liabilities	$ -	$ -
	Net equity	$ -	$ -
	Average net equity	$ -	
	x 15%	$ -	
1c	**Total base calculation**	$ -	
	(Sum of amounts calculated in steps 1a and 1b)		
2	**Cap on allowable profit:**		
	Net allowable operating cost	$ -	
	x 10%	$ -	
3	**Allowable profit**	**$ -**	
	(Lesser of amounts calculated in steps 1c and 2)		